

## Current Support Brief

### POSSIBLE READJUSTMENT OF THE WAGE SYSTEM IN COMMUNIST CHINA



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29 July 1963

CENTRAL INTELLIGENCE AGENCY

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POSSIBLE READJUSTMENT OF THE WAGE SYSTEM  
IN COMMUNIST CHINA

Readjustment of the wage system for workers and salaried employees in Communist China, the first since 1956, is foreshadowed by the holding of a National Wage Conference in Peking and by the recurring discussions in the press of the need to modify the wage system. The readjustment probably will include measures to raise the take-home pay of workers in priority industries and to lower or keep constant the earnings of workers in relatively less important industries. This could be accomplished by standardizing job descriptions and establishing new wage norms to reflect greatly changed national priorities and by greater use of piece-rate wages and bonuses. Another objective in overhauling the wage system might be to strengthen central control over wage funds.

The National Wage Conference was opened in Peking on 2 June with several high-ranking officials (Chou En-lai, Li Fu-chun, Li Hsien-nien, Tan Chen-lin, and Po I-po) in attendance, persons who have been prominent in the regime's endeavor to restore order to the economy. Although no information on subsequent discussions has been released, the conference probably will consolidate the piecemeal changes in wage policy of the past 2 years into a comprehensive wage system. A general revision of the wage system would seem to be a necessary preliminary step in the assignment of wage targets for the Third Five Year Plan (1963-67), the guidelines of which probably are now being worked out. In 1956 a similar National Wage Conference, which also met for over a month, drew up the plans for the wage reform introduced in June of that year. Chou En-lai and Li Fu-chun were also two key figures at this conference. The last National Wage Conference met in May 1957 to review the experiences in implementing the 1956 wage reform.

A wage revision in Communist China seems to be called for as one of a series of economic "readjustments" that Peking has been making since 1960. The revision may take the form of standardizing job descriptions and establishing new wage norms to reflect the change in the regime's

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economic priorities. The chemical industry, for example, which the regime has upgraded in importance, has already attempted to revise its standards for grading workers according to their technical skills. 1/ Toward the end of 1959 the regime attempted to revise the wage classification handbooks for industry, which had been made obsolete by the "leap forward" policies of 1958-60. 2/ The number of job descriptions was to be reduced, and job descriptions and wages were to be standardized. With the collapse of the "leap forward" in 1960, the revision probably was never fully implemented.

The regime in the past 2 years has indicated a need to restore and expand the use of piece-rate wages and bonuses in industry in order to relate a person's total wage more closely to his work effort. The government's policy during the "leap forward" was to rely primarily on non-material incentives such as political coercion, labor emulation campaigns, and honorary awards to get extra work done. Under this policy, material incentives played a less dominant role in the motivation of workers with greater reliance being placed on the "revolutionary fervor of the masses." Material incentives began to come back into prominence in the last half of 1961. By the beginning of 1962, Chinese Communist articles were reporting that various industries had instituted the use of piece-rate wages in some of their operations. 3/ In addition, the use of bonuses now has been expanded to consider the quality of work, in addition to quantity, in deciding whether or not a worker should receive a bonus. 4/

Peking may feel that a piece-rate wage and bonus system would work better in many fields of production than would a straight time-rate wage system. For instance, present economic priorities call for a maximization of output only in certain industries, such as those that produce chemical fertilizer and consumer goods, and for an improvement in quality and variety of products in all industries. A piece-rate wage and bonus system would be highly suited to fostering economic priorities of this type, since higher take-home pay would be given to those workers performing well in priority fields of production and to those who produce high-quality products in any field of production. Likewise, in those fields of industry in which the regime is currently interested

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only in maintaining or slightly increasing present levels of output, the take-home pay of workers probably would be no higher and perhaps even lower than it would have been under a time-rate wage system.

The regime apparently has concluded that there is a need to increase some wage rates. This need is suggested by the Executive Committee meeting of the Federation of Trade Unions in Shantung Province in January 1963, which recommended increased wages for industrial workers. 5/ The last revision of the wage rate structure was in 1956. The wage increase in 1956, however, was later considered by the regime to be too high and a wage freeze was instituted for most occupations. Although the regime planned to increase wages in 1960, the failure of the "leap forward" probably precluded any such increase. A fall in real wages since 1960 is suggested by the general rise in retail prices and the lack of consumer goods. The present shortage of most consumer goods would seem to rule out a general upward revision of wage rates, but the regime may provide selective wage increases to key types of personnel, particularly in priority occupations, and other workers may receive higher take-home pay through the piecework and bonus systems if the economy improves.

Peking probably also expects that a uniform wage system will further strengthen central government control over wage funds, a control widely relinquished to local authorities in 1958-60, but reestablished in 1961-62. An article in Lao-tung (Labor) in August 1962 provides an example of the problems that the state has had in the past few years in the administration of wage funds. 6/ According to this article, problems included laxity in the control and use of wage funds as well as diversion of other funds to the wage fund. Some business enterprises arbitrarily adjusted wages and raised bonus payments, introduced allowances, and enforced payment of wages on a piecework basis, thereby raising wages above acceptable levels. Some enterprises over-reported the number of workers in order to draw excess wage funds. Local banks also failed to keep control over wage funds because "their statistics were out of date and inaccurate."

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Analyst: [REDACTED] 25X1A

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